

**SUMMARY OF IMPORTANT GST CHANGES BY  
BUDGET – FINANCE BILL, 2021**

- ❖ **INTRODUCTION:** Hon'ble Finance Minister Smt. Nirmala Sitharaman ji has placed her third consecutive budget after taking charge of Finance Ministry. This Budget will be the first of this new decade 2021-2030. This time, due to COVID-19, budget printing was not undertaken and therefore it is declared that, this Budget is "Digital Budget".
- ❖ **BUDGET SPEECH – GST MATTER:** Hon'ble Finance Minister Smt. Nirmala Sitharaman said, "As Chairperson of the Council, I want to assure the House that we shall take every possible measure to **smoothen the GST further**, and remove anomalies such as the inverted duty structure".

She also categorically said below:

**174.** Before I come to my Indirect Tax proposals, I would like to appraise the House on GST. The GST is now four years old, and we have taken several measures to further simplify it. Some of the measures include:

- i. nil return through SMS,
- ii. quarterly return and monthly payment for small taxpayers,
- iii. electronic invoice system,
- iv. validated input tax statement,
- v. pre-filled editable GST return, and
- vi. staggering of returns filing.

The capacity of GSTN system has also been enhanced. We have also deployed deep analytics and Artificial Intelligence to identify tax evaders and fake billers and launched special drives against them.

- ❖ **ANALYSIS** - BELOW IS ANALYSIS OF AMENDMENT MADE IN GST BY THE FINANCE BILL, 2021. SOME OF THE AMENDMENTS ARE GOING TO BE ADVERSE IMPACT ON TRADE AND BUSINESS:

HEADING	SECTION REFERENCE	AMENDMENT MADE BY BUDGET
GST on Club/ Association	Sec 7(1)(aa) introduced retrospectively from 1 <sup>st</sup> July 2017	This section is introduced to clarify governments stand on GST on AOP/ Societies etc. Section is introduced to ensure levy of tax on activities or transactions involving supply of goods or services by any person, other than an individual, to its members or constituents or

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		vice-versa, for cash, deferred payment or other valuable consideration.
<b>ITC Matching provision made more stronger now</b>	Clause (aa) introduced in Sec 16(2), to allow ITC only if details are uploaded by supplier	This clause is being inserted to provide that input tax credit on invoice or debit note may be availed only when the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note. This amendment will ack like backing up for Rule 36(4).
Audited GST Reconciliation Statement not required.	Sec 35(5) Removed. Also Amendment made in Sec 44 accordingly.	This section is being omitted so as to remove the mandatory requirement of getting annual accounts audited and reconciliation statement submitted by specified professional. Now GSTR 9C can be filed without certification. This amendment will be effective from future date. In real sense, Tax payer will still get this work done and verified from professionals, so as to ensure that information is correctly reported in, so that there will not be issue during Departmental Audit / Assessment.
Interest on Net Liability	Proviso under Sec 50(1) is substituted retrospectively from 1 <sup>st</sup> July 2017	This provision is being amended, retrospectively from 1 <sup>st</sup> July 2017, so as to charge interest on net cash liability.
Seizure and Confiscation	Amendment to Sec 74	Section 74 of the CGST Act is being amended so as make seizure and confiscation of goods and conveyances in transit a separate proceeding from recovery of tax.

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Provisional Attachment is now valid from day one of proceeding	Sec 83(1) is replaced to allow attachment from day one	Provision is being amended so as to provide that provisional attachment shall remain valid for the entire period starting from the initiation of any proceeding under Chapter XII, Chapter XIV or Chapter XV till the expiry of a period of one year from the date of order made thereunder
Filing of Appeal under Sec 129(3) for detention/sizer of goods	Proviso inserted in Sec 107(6), to make 25% penalty payment mandatory for filing Appeal	A proviso is being inserted to provide that no appeal shall be filed against an order made under Sec 129(3), unless a sum equal to 25% of penalty has been paid by the appellant.
Penalty in case of E Way Bill default	Sec 129 (1) <b>Penalty in case of E way Bill default increased to 200%</b>	<ul style="list-style-type: none"> <li>• <b>Now for release of goods/vehicle in case of default of E way bill, penalty equal to 200% is payable. (Earlier it was 100%)</b></li> <li>• Earlier for release of goods, tax was also required to be paid. Now no such requirement. Meaning thereby tax can be paid on the same in GSTR 3B</li> <li>• Time limit of 7 days for notice and 7 days for order provided in act. Earlier no such time limit was provided.</li> <li>• If vehicle is also detained, same can be released by transporter, now on payment of penalty or Rs 1 lakhs, whichever is lower.</li> </ul>
Para 7 of Sch II omitted	Para 7 of Schedule II omitted retrospectively from 1 <sup>st</sup> July 2017	Consequent to the amendment in section 7 of the CGST Act paragraph 7 of Schedule II to the CGST Act is being omitted retrospectively, with effect from the 1st July, 2017

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<b>Export condition for supply to SEZ</b>	Sec 16(1) of IGST is amended to add condition of authorised operation for SEZ	Section 16 of the IGST Act is being amended so as to: (i) zero rate the supply of goods or services to SEZ unit only when the said supply is for <b>authorised operations</b> ; (ii) <b>restrict the zero-rated supply on payment of integrated tax only to a</b> notified class of taxpayers or notified supplies of goods or services; and (iii) <b>link the foreign exchange remittance in case of export of goods with refund</b>

❖ **CONCLUSION:** Vide The Finance Bill 2021, government has made some amendment, which is going to have adverse impact Trade and Industry in big way. such as

- Allowability of ITC only if it is uploaded by supplier,
- E Way Bill Penalty increased to 200%,
- Supply to SEZ will be treated as Zero Rate only if it is for Authorised Operation,
- Limited applicability of Export on Payment of Tax,
- Compulsorily realization of Export proceeds within time limit for Refund

Said amendment are demotivating for Trade and Business. There is no such smell of simplifications as assured by finance minister in her speech. Rather, now trade and industry need to more cautious and alert, for GST Compliances.

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